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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

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Report Highlights: From America's largest food and agricultural export market as translated from Japan's mass media and food press. This issue includes: *Seiyo Food Systems* and *Starbucks Coffee Japan* are among several major restaurant chain operators surveyed by JASDAQ, reporting record high profits for the current business year; *Compass Group, U.K.* continues to move ahead with plans to establish a significant foothold in Japan's lucrative catering market; Sales are expected to decline by 40 percent at *Nippon Meat Packers* due to the company's recent labeling scandal; A senior marketing specialist from *Dole Japan* was appointed as the first Secretariat for the newly formed "5-A-Day" *Japan Association*, created to promote healthy diets consisting of fruits and vegetables and; The market for mineral water in Japan, 80 percent of which is dominated by imports, increased by 14.5 percent in 2001.

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Food Business Line

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Retail/Wholesale

- According to the *Japan Department Store Association*, sales of member department stores in July declined 5.5% compared to the same month last year on a same store basis. It is the fourth consecutive month in which sales failed to exceed the previous year's level. Food sales also declined by 5.7%. The *Japan Department Store Association* indicated that the declines were primarily due to typhoons and the fact that the month of July in 2002 had one less Sunday and Saturday compared to July 2001. (a 8/27)
- According to the *Japan Chain Store Association*, sales of supermarkets declined for 4.6% in July compared to the same month last year for the same reasons given above. Food sales declined by 0.1%. However, for the month of August, department store and supermarket sales have both been up from last year, thanks largely to continued hot weather. (a 8/27)
- *Daiei*, who is restructuring under the financial support of three major banks, marked a 9.7% sales decline in July 2002 compared to the same month last year. (b 8/29)

Food Service

- With *McDonald's Japan* a notable exception, ten of the 11 major restaurant chain operators listed on the nation's JASDAQ venture stock market indicator, expect higher profits or a return to the black for the current business year. Of the 11 surveyed, eight expect record high profits, such as: *Reins International*, the operator of *yakiniku* grilled beef restaurant chains; *Kappa Create*, a major operator of discount revolving sushi restaurants; *Tascosystem*, an operator of Japanese-style pubs; both *Coco's Japan* and *Jonathan's*, operators of family restaurant chains; *Seiyo Food Systems*; *Foodx Globe* (formerly *Tully's Coffee Japan*) and; *Starbucks Coffee Japan*. These companies are counting on their aggressive outlet expansions to offset expected declines in revenue on a same store basis brought about by slumping consumer spending and the detection of BSE in Japan. (a 8/16)
- *Rockfield*, an operator of *sozai* (side dish) shops in the basement-level home replacement meal (HRM) sections of Tokyo department stores, plans to start a fresh fruit and vegetable juice bar "Vegeteria." The first shop will open in September in the Marunouchi business district, central Tokyo. (a 8/23)
- Major Trading company *Itochu Corporation* announced on August 22 that they will take a 20% equity stake in the Japanese holding company, *Compass Group, U.K.*, the world's largest catering company. *Compass Group Holding Japan (CGHJ)* was set up in Tokyo in a joint venture with *Itochu* and *Fuji Oil* last year. In January 2002, the U.K. headquarters also placed *Seiyo Food Systems* under its wing with an 80% stake in the company. *CGHJ* plans to wholly owned *Seiyo Food* in the near future. These actions are aimed at securing a foothold in the world's second-largest catering market. *Itochu* will help *CGHJ* raise funds to attain this goal. (a 8/23)

- According to the *Japan Food Service Association*, total sales of its member companies in July declined by 2.6% compared to the same month last year on a whole store basis. It is the first such decline since February 2001. (a 8/27)

Food Processing/New Products/Market Trends

- *Nippon Meat Packers'* sales of ham and sausage, as well as processed food products, are expected to decline by approximately 40% in August compared to the same month last year. The drop is mainly due to the growing number of retailers removing *Nippon Meat Packers'* products from their shelves, after the company's labeling scandal. (a 8/13)
- "5-A-Day" *Japan Association* was launched in July, aiming to promote a healthy eating habit of consuming five fruit and vegetables a day in order to prevent cancer and maintain healthy weight levels. A senior Marketing Specialist of *Dole Japan* was appointed to be the first Secretariat of this new organization. This "5-A-Day" movement is similar to one that was first started in the U.S. in 1991. (a 8/22)
- As a core part of its massive restructuring following a series of food-related scandals, *Snow Brand Milk Products* announced that it will launch a new milk joint venture in January 2003, called *Nippon Milk Community*. Featuring a new milk brand called "Megmilk", several agricultural associations will be involved, including the *National Federation of Agricultural Cooperative Associations (Zen-noh)* which will become the largest stake-holder at 40% while *Snow Brand Milk* will hold a 30% stake in the venture. (a 8/23)
- According to Japan's Health, Labor and Welfare Ministry, the fifth case of bovine spongiform encephalopathy (BSE) has been found during an inspection of slaughtered cows in Kanagawa Prefecture on August 22. The infected cow was a milk cow born in December 1995, three to four months earlier than the cows in the first four BSE cases. This is the first one found in Kanagawa Prefecture, raising concern that the breadth of the infection may be larger than previously thought. (a 8/23)
- According to the on-site inspection conducted by the Kanagawa Prefectural Government, it was revealed that the fifth Holstein infected with BSE was fed the same brand-name milk substitute six days after its birth as was the case with previously infected cows. (a 8/24)
- According to the *Japan Mineral Water Association*, the Japanese market for mineral water was 1.247 million kilo liters in 2001 or 14.5% higher than 2000. Imported water brands mostly dominate the market, and domestic water only accounts for 20% of the overall market. (b 8/29)

ATO/Cooperator/Competitor Activities/Trade Shows

- With the support of the *Japan External Trade Organization*, high-class French food store *Fauchon* plans to open its first direct-run outlet in Tokyo in the summer of 2003 with many varieties of imported food ingredients for its retail shop in addition to a large café space. *Fauchon* plans to maintain its initial location under the business tie-up with the food wholesaler *Gourmail*, a subsidiary of *Takashimaya Department Store*. *Fauchon* plans to expand the number of direct-run stores to 30 in five years. (a 8/21)

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Sources

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |

(e) The Japan Food News

(f) The Food Industry News

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